GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:775
ANSWERED ON:21.02.2003
SEBI DIRECTION TO COMPANIES FOR SECRETARIAL AUDIT
P.D. ELANGOVAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether SEBI has ordered that all listed companies shouldsubject themselves to a secretarial audit within two months to be undertaken by a qualified chartered accountant or a company secretary; and

(b) if so, the purpose and objective to be achieved by this move?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b) Securities and Exchange Board of India (SEBI) hasinformed that it received complaints from the Investors Grievances Forum alleging that several companies have dematted shares in excess of their paid up capital and that the promoters have colluded with ROC, Depositories,Stock Exchanges and managed to demat the additional shares evenbefore getting them listed on the stock exchanges.

SEBI has, as a measure to prevent such occurances in thefuture, issued a circular, on 31st December, 2002, to the Stock Exchanges, Registrar and Transfer Agents (RTAs) and the Depositories, casting an obligation on the RTAs to conduct a secretarial audit to be undertaken by a qualified Chartered Accountant or a Company Secretary, forthe purpose of reconciliation of the total admitted capital with both the depositories and the total issued and listed capital.

The audit is also required to certify that:

(i) the Register of Members is updated;

(ii) that the dematerialisation request has been confirmed within 21 days and state the shares pending confirmation for more than 21 days from the date of requests and reasons for delay;

(iii) The details of changes in share capital during the quarter and certify in case of listed companies whether `in-principle` approval for listing from all stock exchanges was obtained in respect of all further issues.

The first such report as of 31st December,2002 should be obtained by the stock exchanges within 60 days and thereafter every calendar quarter within 30 days.